



Forget Shopify (TSX:SHOP): This Tech Stock Is a Better Buy at Today's Price

Description

The Canadian tech company **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is making its case to be the largest company in Canada. Shopify stock hit a price of \$1,000 during the first week of May, valuing the company at a market cap of more than \$115 billion. The e-commerce giant sits behind only **Royal Bank of Canada** in terms of market cap size.

The company has been on an absolute tear in 2020 so far, significantly outpacing the rest of the Canadian market. Shopify stock has grown an incredible 85% from the start of 2020 versus a decline of more than 10% in the **S&P/TSX Composite Index**.

Much of the decline in the Canadian market this year can be attributed to the impact of the COVID-19 pandemic. Many Canadian businesses are struggling to stay alive, as non-essential businesses are being forced to close their physical stores temporarily.

Shopify continues to report exceptional growth in revenue, as the company announced its most recent quarterly earnings last week. The company also addressed how it was helping small- and medium-sized businesses to stay afloat during these unprecedented times.

The company extended its 90-day free trial for new standard-plan signups as well as offered capital to companies with liquidity issues. Perhaps part of the reason Shopify stock has surged over 80% since the start of April is in response to how the company is helping businesses during these troubling times.

Shopify stock valuation

There is no question that Shopify stock has been an incredibly strong investment since going public five years ago. But as the company reaches record-high prices, it's important to revisit the valuation of this tech giant. The company is trading at an extremely high valuation, trading at more than 50 times sales.

The high valuation for Shopify stock means investors are expecting the company to continue to grow at a rapid pace for many years to come. The high expectations for the company each quarter will likely

lead to short-term volatility that not all investors may be willing to endure.

Don't get me wrong; I truly believe Shopify stock is a long-term winner that will continue to outpace the Canadian market. But I also believe that there is a better entry than at today's stock price. After running up 80% since the beginning of April this year, my suggestion would be to wait for the next significant price drop if you're looking to start a position in Shopify.

While we wait for the anticipated pullback, here is one Canadian tech company that you can feel comfortable with buying at today's price.

Lightspeed POS

The much smaller but still relatively high-priced tech company **Lightspeed POS** ([TSX:LSPD](#)) is a strong buy at today's stock price. The \$2.5 billion company has dropped 20% since the beginning of 2020, as the point-of-sale (POS) provider has been largely disrupted by the COVID-19 pandemic.

Lightspeed POS is often compared to the [much larger American payment-processing company, Square](#). Although Square has since expanded significantly from its early days, the company gained much of its current market share from its original POS hardware and services.

Lightspeed POS may still lack in size and scale in comparison to Square, but the company has also begun aggressively [expanding its product offering](#). The Montréal-headquartered company now offers products and services to businesses to help manage inventory, staffing, create loyalty programs, and measure data analytics.

At 15 times sales, Lightspeed POS is nowhere near considered cheap. But similar to Shopify, the high valuation is driven by high expectations for many years to come. Shareholders of Lightspeed POS stock should expect volatility in the short term, but there are plenty of reasons to believe this company can live up to its high expectations.

Foolish bottom line

Shopify's recent earnings report only solidifies the bull case for the company. But after seeing more than an 80% growth since the beginning of April and trading at more than 50 times sales, now may not be the best time to start a position.

Lightspeed POS is also priced at a high valuation but is now trading at a discount after a recent drop in stock price. As many businesses are still closed across the country, now is a great time to start a position in the POS provider.

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2. TSX:LSPD (Lightspeed Commerce)
3. TSX:SHOP (Shopify Inc.)

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